



Feldmann, M. (2018). Extraordinary politics and durable reform: lessons from trade liberalisation in Estonia and Poland. *Post-Communist Economies*, 30(3), 365-381.  
<https://doi.org/10.1080/14631377.2017.1362097>

Peer reviewed version

Link to published version (if available):  
[10.1080/14631377.2017.1362097](https://doi.org/10.1080/14631377.2017.1362097)

[Link to publication record in Explore Bristol Research](#)  
PDF-document

This is the author accepted manuscript (AAM). The final published version (version of record) is available online via Taylor & Francis at <http://www.tandfonline.com/doi/full/10.1080/14631377.2017.1362097>. Please refer to any applicable terms of use of the publisher.

## University of Bristol - Explore Bristol Research

### General rights

This document is made available in accordance with publisher policies. Please cite only the published version using the reference above. Full terms of use are available:  
<http://www.bristol.ac.uk/red/research-policy/pure/user-guides/ebr-terms/>

# **EXTRAORDINARY POLITICS AND DURABLE REFORM: LESSONS FROM TRADE LIBERALIZATION IN ESTONIA AND POLAND**

Magnus Feldmann

University of Bristol, School of Sociology, Politics and International Studies

11 Priory Road, Bristol BS8 1TU; Email: [M.Feldmann@bristol.ac.uk](mailto:M.Feldmann@bristol.ac.uk)

Accepted for publication in *Post-Communist Economies*

## Acknowledgements:

The author would like to thank Timothy Colton, Jorge Domínguez, Peter Hall, Torben Iversen, Dwight Perkins and Razeen Sally for useful discussions and comments on an earlier version of this paper. He would also like to thank various policy-makers and experts in Poland and Estonia for sharing their views on issues related to this article and acknowledge the support of two Harvard University programmes: the Justice, Welfare and Economics program at the Weatherhead Center for International Affairs and a Krupp Foundation dissertation research fellowship from the Minda de Gunzburg Center for European Studies. All responsibility for errors and shortcomings rests with the author.

# EXTRAORDINARY POLITICS AND DURABLE REFORM: LESSONS FROM TRADE LIBERALISATION IN ESTONIA AND POLAND

## Abstract:

This article analyses the significance of the period of extraordinary politics after the fall of communism for policy reform. It examines under what circumstances policy reforms enacted during such periods are durable by comparing trade liberalisation in Poland and Estonia in the early 1990s. The article relates this question to the historical institutionalist debate surrounding critical junctures, gradual change and the politics of stability and change. It argues that trade policy reform enacted during periods of extraordinary politics is most likely to be durable if it is associated with deeper changes in structural conditions, such as dominant ideas, interests and institutions.

This article revisits one of the most heated controversies surrounding post-communist economic reform, namely the big bang vs. gradualism debate. While this controversy has a variety of economic dimensions, such as concerns about the interconnectedness of different kinds of reforms, this article focuses on the political economy dimension of this debate. In particular, it was argued that the early post-communist era constituted a unique window of opportunity for economic reform and that the reform agenda might fail if politicians did not seize this opportunity. Leszek Balcerowicz, the Polish academic, politician and key architect of the Polish economic reforms in 1990 (the 'Balcerowicz plan'), has called this a 'period of extraordinary politics' as opposed to normal politics, which exists at other times (Balcerowicz 1994, 1995). This argument is effectively based on two premises. First, it is easier to implement necessary reforms during periods of extraordinary politics. Second, reforms implemented during such periods can have lasting effects.

This article analyses the second premise of this argument relates the controversy surrounding periods of extraordinary politics to one of the most influential debates in the historical institutionalist literature on critical juncture and different kinds of institutional change. Since there are many examples of economic reforms in various parts of the world that have failed to take hold or been reversed, this article argues that the durability of economic reforms cannot be taken for granted. Therefore it follows the advice of Hall and Thelen (2009) to treat policy and institutional change or continuity as a political problem.

In order to examine the determinants of durable policy reform during periods of extraordinary politics, this article compares trade policy in two textbook examples of big bang economic

reform, Poland and Estonia. Taken as a whole, both the Estonian reform programme and the Polish big bang reforms as part of the Balcerowicz plan constituted critical junctures, which led to the introduction of a market economy in both countries. Poland is the canonical case of extraordinary politics, as defined by Balcerowicz in his writings and also based on his experience of policy-making during the period in question (Balcerowicz 1995). Similarly, Estonia is well known for the rapid and radical market reforms the country adopted and is often compared to Poland (Dąbrowski et al. 2001).

Trade policy reform was also dramatic. After initiating trade liberalisation in 1990, Poland and Czechoslovakia had the most liberal trade policy regimes in Europe in 1990 according to Messerlin (1995), and this was followed by far-reaching trade liberalisation, which led to the adoption of unilateral free trade and the abolition of all tariff barriers on international trade. While the economic reform programmes in the two countries were undoubtedly ambitious and led to far-reaching changes in many policy domains, there are marked contrast between the cases with respect to trade policy. Estonia maintained the unilateral free trade regime throughout the 1990s and only abandoned it in anticipation of EU accession. By contrast, the Polish trade liberalisation was largely reversed after about 20 months and followed by a more selective and gradual process of liberalisation that was also bound up with the process of EU integration (Feldmann 2003). Even today, important differences between the two cases persist. Within the EU Poland has become an ally of the protectionist countries (led by France), whereas Estonia (along with the Czech Republic and Latvia) have collaborated with the liberalisers, such as Britain and Sweden (Elsig 2010). In other words, trade liberalisation in Estonia had a more significant long-term effect than in Poland. Therefore, a paired comparison of the effects of trade liberalisation - in two textbook examples of big bang trade

reform implemented during periods of extraordinary politics - provides an excellent opportunity to examine the political economy of durable reform.

While contextual and structural constraints vary across countries, this article suggests that durable change requires more profound structural change and the reshaping of ideas, interests and institutions. Such changes may affect both the demand for reversal and the ease with which the political system can deliver a roll-back of such changes. Unless this kind of reconfiguration of ideas, interests and institutions occurs, it is likely that levels of protection may increase again once the period of extraordinary politics ends.

This article is structured as follows. The first section introduces the debate surrounding extraordinary politics, policy reform and the political economy of trade policy. The following section provides an overview of trade policy in Poland and Estonia, and the subsequent sections seek to explain the differences between these two cases. The final section concludes with some general lessons of this article for the study of post-communist transition as well as economic reform more generally.

### **Extraordinary politics, policy reform and trade liberalisation**

The initial period following the end of communist rule has attracted great interest both among academics and policy-makers. It has often been viewed as a critical juncture shaping the character of the new regime and its development for many years to come. Leszek Balcerowicz, the Polish academic and politician, has called this a period of extraordinary politics as opposed to normal politics, which exists at other times (Balcerowicz 1994, 1995). Periods of extraordinary politics can be defined as fairly rare yet dramatic stretches of time, e.g. in the aftermath of war or decolonisation or during a deep economic crisis, when the usual structural constraints on policy-making are relaxed (Balcerowicz 1995, 311). This opens up greater scope for agency, and given the circumstances there may also be a greater

preparedness among economic and political actors to accept radical change. Balcerowicz calls it a 'special state of mass psychology and corresponding political opportunities: the new political structures are fluid and the old political elite is discredited' (Balcerowicz 1994, 85).

Many reformers and academic analysts believed that the window of opportunity after the fall of communism was unique. For example, some advisers to the Russian government suggested it was necessary to proceed very quickly with privatisation even if the resulting institutional arrangements turned out to be imperfect, as the communists might gain power again. By privatising quickly and creating a new class of property owners, the introduction of capitalism could be made irreversible (Boycko et al. 1995). More generally, economic conditions could change as a result of the reforms. The early period of market reform could lead to a J-curve or valley of tears (Przeworski 1991), i.e., there might be a severe 'transformational recession' before the reforms bear fruit and growth resumes (Kornai 1994). Such economic hardship could lead to a backlash against both markets and democracy. The lesson drawn by many analysts was that the early reform period was essential for implementing a successful transformation, and some argued that it should be used to launch a big bang, i.e. rapid reform across all policy areas, given the interconnectedness of different reforms (e.g. Lipton and Sachs 1990, Åslund 1991). The Washington Consensus reforms formulated by John Williamson also provided an influential template for such proposals (Williamson 1991).

Such accounts of rapid reform during periods of extraordinary politics have been questioned on normative grounds. As both advocates of gradualist reform strategies (e.g. Dewatripont and Roland 1992, Murrell 1992) and critics of rapid mass privatisation (Kornai 2001) have suggested, big bang reforms may not necessarily lead to good policy outcomes. Others have suggested that rapid reforms are undemocratic, as there is no time for

deliberation or popular participation in the formulation of the goals of reform (Przeworski 1992).

This article engages with periods of extraordinary politics as an analytical framework for understanding the process of policy-making and the durability of reform. Arguments about extraordinary politics are closely related to historical institutionalist analysis of critical junctures. Some scholars primarily stress the long-run consequences of critical junctures. James Mahoney defines a critical juncture as having two components (Mahoney 2001). First, critical junctures are choice points, i.e., situations when a specific option is chosen over one or several alternatives. Secondly, when this choice has been made, "the range of possible outcomes is narrowed considerably. Hence, not all choice points represent critical junctures; only those choice points that close off important future outcomes should be treated as critical junctures" (Mahoney 2001: 113). In other words, what distinguishes critical junctures from many other choice points is that they have long-run effects, may could be related to path-dependent processes or a logic of increasing returns (Pierson 2000). In the case of post-communist big bang economic reforms, Balcerowicz's argument implies has argued that key choices made during the period of extraordinary politics could constitute a critical juncture and lay the foundation for the new economic system.

By contrast, other scholars have criticised such approaches and argued that they overstate the importance of critical junctures and provide an inadequate account of the periods of greater stability by overstating the degree of continuity. There are a variety of gradual changes that could have very significant effects (Streeck and Thelen, 2005; see also Mahoney and Thelen). Most importantly, there is often an inadequate account of the mechanisms of reproduction which sustain institutions and ensure path dependence. (Thelen 1999; Thelen 2000). In a similar vein, Hall and Thelen (2009) argue that institutional change and continuity should be conceptualised as a political problem and not taken for granted.



Examples of reforms that did ultimately not endure can be found even in big bang reformers, like Estonia, where the privatisation of the railway was reversed, as analysed in detail by Lust (2016).

Trade liberalisation is a particularly good case study for examining periods of extraordinary politics. First, unlike complex and multidimensional institutional reforms whose effects may be difficult to observe, the instruments of trade policy, such as tariffs and quotas, and their effects are easily observed. In principle, they can be introduced - and repealed - very quickly, usually by a government enjoying a parliamentary majority. In that sense trade policy is comparable to many other aspects of economic policy. Therefore, it is a good case for assessing to what extent extraordinary politics has had any durable lock-in effect on policy-making.

Secondly, there are theoretical reasons for examining trade policy reform, not least since the processes underlying liberalisation tend to be quite complex. Although economic theory suggests that free trade is almost always the best policy, there are very few cases of completely open economies in practice (Krugman 1987). While there are some justifications for protection in economic theory, such as the optimum tariff or (more controversially) the infant industry argument, the main reasons for such policies tend to be political or distributional. As is well established in the trade literature, a number of domestic and international factors typically contribute to protectionist outcomes (Alt et al. 1996, Rodrik 1995). On the domestic front, there are usually powerful interest groups, such as import-competing producers, which benefit from protection. Whereas the benefits from liberalisation tend to be dispersed across all consumers, the losses are concentrated among relatively narrow groups which usually find it easier to mobilise for collective action (Olson 1965). In addition, there are various institutional factors which also favour protectionist interests (O'Halloran 1994). At the international level, trade negotiations are based on the principle of

reciprocity, which means that countries have no tactical incentives to liberalise unilaterally unless they can gain corresponding concessions from their main trading partners (Bagwell and Staiger 2004). Trade liberalisation often occurs under exceptional circumstances, notably during economic crises, such as high inflation (Rodrik 1996, Williamson 1994). However, not all crises lead to trade liberalisation or durable change in trade policy. Therefore, it is theoretically interesting to examine post-communist trade liberalisation.

Finally, there are also relatively few empirical studies of trade liberalisation in Central and Eastern Europe. Given the comparable legacies of limited integration with the world economy followed by rapid, yet variable, liberalisation, post-communist trade liberalisation constitutes a fascinating set of cases to examine. The most important cross-country studies are two seminal papers by Timothy Frye and Edward Mansfield (Frye and Mansfield 2003, 2004). Frye and Mansfield (2003) find that democracy, fragmentation among elites (especially in non-democracies) and integration with the EU increase the prospects for trade liberalisation, but that the losers from reform are generally unable to bring about protectionist policies. The more recent paper finds that the electoral calendar is a critical determinant of trade liberalisation, i.e. reform in democracies is most likely to happen after elections and unlikely to happen just before elections (Frye and Mansfield 2004).

Many other studies include trade liberalisation in a general index of policy reform. They have identified several determinants of reform, such as the defeat of the communists at the founding election (Fish 1998), limited political polarisation (Frye 2002), a widely shared pro-Western nationalist orientation (Abdelal 2001) and neoliberal ideas (Darden 2009). There are also a number of comparative studies, which examine trade policy reform in a single country or a small number of cases (Michalopoulos 1999, Hansson 1994, Purju 1996, Lushin and Oppenheimer 2001, Feldmann 2001). These studies tend to highlight similar factors, notably the role of crises, reformist governments and market liberal ideas. However,

unlike this article, none of these studies provides a comparative assessment of why some trade reforms are sustained whereas others are reversed.

## **Post-Communist Trade Policy in Estonia and Poland**

Poland and Estonia are often mentioned as textbook examples of radical economic liberalisation or big bang reform programmes in early transition, which included rapid trade liberalisation (Dąbrowski et al. 2001). These reforms have attracted interest in other countries in the region, as both governments' radical marketisation programmes were perceived to be successful in bringing about rapid change and high economic growth. The key factors identified in other studies as determinants of trade policy reform are present both in Estonia and Poland: the communists lost the founding elections (Fish 1998), key reformers subscribed to market-liberal ideas (Darden 2009) and the reforms were preceded by deep economic crises, notably hyperinflation. There were Soviet (later Russian) troops in both countries when the reforms began, and reorientation of economic relations towards the West was a widely shared priority in both cases (Abdelal 2001). However, while both countries liberalised their trade policies, there were also important differences between their policy trajectories.

On the 1 January 1990 the first post-communist government in Poland, led by Tadeusz Mazowiecki, launched an ambitious and comprehensive economic reform programme, commonly viewed as the epitome of the so-called big bang approach to economic transition. This reform programme included a range of measures aiming at price liberalisation, macroeconomic stabilisation, privatisation and a range of related institutional reforms, such as a social safety net to cushion the shock from rapid marketisation.

Another goal of the reform programme was far-reaching trade liberalisation. It should be noted that there had been some increase in trade with the West already in the 1970s and some trade liberalisation had preceded the change of system. Notably in December 1987 and June 1988 some liberalisation of the import licensing procedures occurred, though the rationing of foreign exchange limited the practical implications of this liberalisation (Michałek 1993). There had also been a further tariff reform in January 1989, so trade liberalisation was not totally unprecedented.

However, the most dramatic trade liberalisation in Poland occurred as part of the Balcerowicz programme. Quantitative restrictions and the permit system governing foreign trade during the communist period were eliminated, and by mid-1990 about two thirds of all customs duties had been suspended or dramatically lowered (Wellisz 1995, 218). This included the removal of most administrative barriers to trade. The average tariff fell from 18.3% to 5.5% (see Table 1), and according to an expert assessment Poland (along with Czechoslovakia) had the most liberal international trade policy regime in Europe at the end of 1990 (Messerlin 1995).

TABLE 1 HERE

As Balcerowicz himself has argued, the Balcerowicz plan was introduced during a period of extraordinary politics, when the economy was in deep crisis, interest group activity was muted and institutions were in flux (Balcerowicz 1995). The Polish parliament at the time was called the Contract Sejm, as it had been elected in semi-free elections in 1989, in which a majority of seats were reserved for the communists (PZPR). As the former US ambassador to Poland noted, the Contract Sejm 'turned out to be the ideal vehicle for economic reform. Its post-Communist majority was frightened and pliable; it would pass

anything, and until the next parliamentary elections in the fall of 1991, it passed almost everything. Nowhere else in the post-Communist world, and neither before nor since in Poland, has it been so easy to pass so much legislation institutionalizing the new economy' (Simons 1999, 13). Balcerowicz himself has noted that the PZPR 'did not seriously challenge the program' (Balcerowicz 1995, 303; see also Żakowski 2009).

However, the Polish liberalisation was largely reversed in August 1991, when the average tariff increased to 18.4% (slightly above the 1989 level). While this may slightly overstate the degree of protection in 1991 relative to 1989, as there were also significant non-tariff barriers to trade before the Balcerowicz plan (Hagemejer and Michałek, 2008), it is clear that the 1990 liberalisation did not lead to durable change. In 1995 Poland began a process of gradual trade liberalisation, which continued until Poland's accession to the EU. This process of liberalisation was largely driven by commitments made by Poland in the Association Agreement with the EU in 1995, which specified a schedule for reducing tariffs on imports from the EU. Yet Poland also made use of the flexibility built into this agreement to implement some protection (Feldmann 2003). For example, Poland used the so-called restructuring clause to introduce temporary tariff increases against imports from the EU, notably on telecommunications equipment (1994), oil refining projects (1996) and steel (1997). There were substantial increases in tariffs on gelatine in 1995, and imported gelatine was even banned in 1998. According to media reports both of these episodes were related to lobbying pressure by Kazimierz Grabek, a prominent industrialist, who controlled three out of four gelatine factories in Poland (Markiewicz 2006, Kurski 2009). The increase in tariffs on motor vehicles in January 1992 have been widely interpreted as a concession to foreign car producers, notably Volkswagen, investing in Poland (Mayhew 1998, Hagemejer and Michałek 2008). Agricultural protection, especially on specific products like e.g. rape seed,

sugar and butter, increased in the late 1990s (Kawecka-Wyrzykowska 2000). In other words, trade policy reflected a variety of pressures which can be found in many countries.

Upon joining the EU in 2004, Poland adopted the common European Union Trade Policy, including the Common External Tariffs and other instruments of trade policy.

Although Polish trade policy was fully harmonised with the EU's Common Commercial Policy, Poland continues to cooperate with more protectionist countries, like France, who tend to favour the use of tariffs and protection to achieve broader socio-economic objectives (Elsig 2010).

The Polish experience can be compared to trade liberalisation in Estonia, which was also dramatic. In the post-war period Estonia had been fully integrated into Soviet central planning and was a rather orthodox command economy. Economic relations with foreign countries were managed via all-Union foreign trade associations, and direct ties between domestic firms and foreign counterparts were not possible until the late 1980s, when the law on joint ventures was passed. In the early 1980s only 0.6-0.7% of Estonia's industrial output was exported to the West (Kukk 1997, 244). Estonian exports outside the Soviet Union amounted to just 2-3 per cent of its GDP in the second half of the 1980s, with two-thirds of that going to other COMECON countries (Kukk 1997, 262). In other words, the Estonian Soviet Socialist Republic was more isolated from the world economy than socialist Poland, but Estonia's liberalisation was ultimately more far-reaching and durable.

In the early 1990s Estonian trade policy underwent dramatic change. It should be noted that these reforms predated the free market-oriented Laar government that came into power in 1992 and has been most prominently associated with Estonia's economic reforms. Economic liberalisation began even before the re-establishment of independence in 1991 and accelerated thereafter. The government dominated by the Estonian People's Front and led by Edgar Savisaar liberalised trade, and the next government under Tiit Vähi implemented a

series of key reforms that led to further liberalisation of the economy and culminated in the re-introduction of the national currency, the kroon, under a currency board in the summer of 1992 (Feldmann 2013). A radical opening up of the economy to foreign trade and investment during the winter 1991-2 was a key part of these reforms. State trading monopolies and import quotas from Soviet period were removed in 1991/92. Since these quantitative restrictions and administrative barriers were generally not converted into tariffs, a very liberal trade regime emerged, though there were some limitations on exports of goods in short supply or of special cultural value. The conditions under which these reforms were introduced can also be described as a period of extraordinary politics. There was hyperinflation, and the prevailing shortages of food in 1990-1 meant that even farmers argued against agricultural protection in meetings with public officials in 1991 (Interview with economic adviser to Savisaar government), and the government had to re-establish virtually all the institutions of an independent state. Indeed, even the director of the border guard noted that no one knew what the appropriate level of tariffs or quotas might be (Õun 2001, 35-6). Such factors led key policy advisers to the government and members of the new Foreign Economic Policy department at the new Foreign Ministry established by Foreign Minister (later President) Lennart Meri to argue against the introduction of protection upon independence, when the Soviet quotas and licences ceased to be enforced (Feldmann and Sally 2002). In short, it was a pragmatic solution - based on the deep crisis, shortages, imperative of quickly reorienting trade and even the lack of capacity to impose tariffs. In the months that followed various remaining trade restrictions were removed by the Savisaar government, including the restrictions on importing cars which were more than ten years old.

As a result of these reforms Estonia moved very close to free trade. In 1991 some quantitative restrictions remained. The customs regulation passed in early 1992 specified import tariffs on a number of items, including beer, alcohol, tobacco and furs (Õun 2001: 63).

Only a small number of products were subject to customs tariffs in 1993 - there were import duties on furs, cars, yachts, motorcycles, sea- and snow-scooters and an export duty on vintage cars (Purju 1996, 21) - but they were repealed in 1997. The average weighted tariff was 1.4 per cent at the end of 1993, and it fell to zero by 1997. Apart from a few micro-states, Estonia was then along with Hong Kong and Singapore the only case of an economy with a unilateral free trade system (Feldmann and Sally 2002). With one short exception – Estonia levied tariffs on grain imports from Russia for three months in 1993 (Lainela and Sutela 1994, 117) – this included unilateral free trade in agriculture throughout the 1990s (WTO 1999, 14-15).

TABLE 2 HERE

Estonia's very liberal regime based on unilateral free trade stands out among transition countries (see Table 2). Estonian trade policy only changed markedly in 2004 - long after the end of the period of extraordinary politics - upon accession to the EU. With the exception of some rather low tariffs on agricultural imports from third countries (i.e. non-EU members with which Estonia did not have any free trade agreement) which were introduced in 2000, largely as a result of pressure from the EU which wanted Estonia to develop the customs administration and the capacity to levy the Common External Tariff upon accession, the free trade regime was maintained until 2004. While EU accession helped consolidate free trade with other member states, it also led to the end of the unilateral free trade regime. Estonia was required to adopt the EU's Common Commercial Policy, including a variety of tariffs and non-tariff barriers against other countries (Feldmann and Sally 2002).



In short, trade policy in Poland and Estonia is a good setting to examine the durability of economic reform given that the dramatic trade liberalisation was sustained in Estonia, but quickly reversed in Poland.

## **Reversal of trade liberalisation in Poland**

Towards the end of 1991 Poland no longer had the most liberal international trade regime in Europe. By mid-1991 the period of extraordinary politics had effectively ended, and the above-mentioned permissive conditions which had facilitated rapid and far-reaching reform no longer existed. A number of key changes had occurred.

First, by then interest groups had had the time to organise. There was now substantial opposition against economic reforms. Protest activity was rapidly increasing, and it was also significantly greater than in the neighbouring countries (Ekiert and Kubik 1998). Divisions had emerged in the Solidarity Movement, and the Solidarity Trade Unions were withdrawing their 'protective umbrella' from the reforms (Levitsky and Way 1998). Even more importantly, agricultural protest increased dramatically, and much of it was focused on lobbying for protection against import competition. Farmers had been relatively well off under the command system, with incomes at 16-23% above average in 1987-89. By 1991 the reduction of agricultural subsidies (from 5.6% of GDP in 1989 to 1% of GDP in 1990) and the exposure to import competition had caused a marked deterioration in their relative position, which triggered significant pressure for protectionism (Wellisz 1995, 219). This included road blockades and the dumping of butter at the Ministry of Agriculture (Paszkowski 1991). Enterprise profits had fallen sharply, in part as a result of import competition, but also due to the disappearance of the Eastern market in conjunction with the

disintegration of COMECON (Wellisz 1991, 217). Therefore, not only farmers, but also producers in a variety of sectors, including e.g. mining and ship-building, were now actively lobbying for protection.

Secondly, the institutions of post-communist Poland had begun to take shape and were no longer in flux. President Lech Wałęsa had been elected in free elections in December 1990, and agreement had been reached about free parliamentary elections in October 1991. In anticipation of these elections, a more genuine party system was starting to emerge, as the broad oppositional coalition under the heading of Solidarity had split into a range of different parties (Kitschelt et al. 1999). Some of these parties (e.g. the Democratic Union) advocated the continuation of the free market economic reform agenda, whereas others (e.g. the Centre Agreement), argued in favour of a change of course - *przełom* - in economic policy. As various new parties were launching their political campaigns in a period of increasing protest against imports, the Sejm was no longer willing to rubberstamp the Balcerowicz team's economic policy proposals. In this changing climate the Balcerowicz team's proposals increasingly faced questioning and criticism. The criticisms in some parts of the media were very severe. Economists were also challenging Balcerowicz very openly and proposing alternative policies (Myant 2003, 130ff.). Other 'instrumental beliefs' about the appropriate role for economic policy began to gain prominence (cf. Hall 2010, 208). Parliamentarians were increasingly concerned about their re-election prospects and sought to respond to criticism of the free market programme, including the liberal trade regime, which is also in line with the findings in Frye and Mansfield (2004) about increasing protectionist pressure before election. Therefore the Sejm voted in favour of a dramatic increase of tariff rates in August 1991.

The period of extraordinary politics had created permissive conditions for liberal trade to emerge. During the economic crisis and uncertainty of the period the reform team led by

Balcerowicz and supported by foreign advisers, like Professor Jeffrey Sachs from Harvard University, was able to advance a particular set of reforms which promised to address the current challenges and which resonated with external actors as well. By the end of this period the institutional context had stabilised and stronger interest groups had formed, and there was more contestation about economic policy. As alternative ideas and policy proposals seemed to be more in tune with specific pressures, such as falling profits and agricultural prices, many features of the trade policy reform turned out to be easily reversible in the run-up to the parliamentary election of October 1991.

### **Why no reversal of free trade in Estonia?**

Unlike in Poland, where the most dramatic trade policy reforms were reversed in 1991, Estonia maintained a free trade regime throughout the 1990s and only introduced more complex protection upon accession to the EU. This raises the question how could the free trade policies be sustained - and even deepened once the period of extraordinary politics was over. Estonia's smaller size should, other things being equal, make Estonia more open than Poland (Perkins and Syrquin 1989). However, this cannot account for the commitment to unilateral free trade. In particular, neighbouring Latvia has a similar socio-economic structure and a small population. While Latvia also adopted a relatively liberal trade regime, there was a more complex tariff system to protect domestic agriculture and some domestic producers (Feldmann 2001).

It should be noted that protectionist pressure by interest groups and rural parties gradually grew to be quite substantial. There were two key challenges to free trade, both of which were ultimately unsuccessful. In 1993 tariffs on the import of Russian grain were

introduced, but they were repealed after six months (Lainela and Sutela 1994). The Siimann government approved the introduction of agricultural tariffs in 1997, but the new tariff law was blocked. There were several factors which prevented the reversal of free trade.

First, while there was increasing protectionist pressure, there was also some change in dominant ideas and even evidence of a paradigm shift in thinking about trade. In the autumn of 1992 the first post-independence parliamentary election was held, and a centre-right government led by Mart Laar came to power. The Laar government consolidated and deepened the ideological commitment to economic liberalisation. A new customs law was passed in 1993. Prime Minister Mart Laar became an important advocate of free markets and free trade at home and abroad, frequently contributing to the activities of libertarian and free market think-tanks in the USA or Western Europe and suggesting that free trade was a key element of Estonia's successful economic transformation (Laar 2006; Laar 2007).

While the Reform Party and Fatherland have consistently been in favour of free trade, opposition to free trade among most major parliamentary parties has been limited, which suggests that the free trade ideas has been influential across much of the political spectrum. Only the agricultural parties advocated protection consistently. The Coalition Party, which was in power from 1995-99 and in an electoral alliance with a party with a rural base, was deeply divided on this issue. Free trade, along with the currency board and the flat tax regime, was often described in the media and political debate as a way of maintaining Estonia's brand as the most liberal, open and market-friendly economy and enjoying support from a wide variety of political forces (Feldmann 2013, Ideon 1999). It was seen to be a unique policy distinguishing Estonia, which could be helpful in attracting foreign investment and in dealings with international organisations. For example, in a parliamentary debate in 1996, the centre-left politician Andres Tarand explained that he was not an ardent free trader, but argued that the potential loss of Estonia's brand name would be a reason to be cautious

about introducing tariffs (Riigikogu 1996). It should be noted that ethnic Russians were overrepresented in heavy industry, which might have benefited from protection, especially in the early 1990s. The fact that a substantial proportion of Russians were not Estonian citizens in the early 1990s might have strengthened the free trade coalition. On the other hand, ethnic Estonians were overrepresented in agriculture, another sector which might have benefited from protection, which makes the net effect of the citizenship laws on trade policy less clear (cf. Feldmann 2001).

Secondly, ownership reform transformed the economic structure of Estonia and led to a reconfiguration of economic interests. Privatisation of state-owned industry and especially restitution of state and collective farms to their pre-war owners reshaped the economy by removing some important pre-existing economic actors and creating many new ones as well. For example, the directors of the state and collective farms had been very influential during the socialist period. Given the large number of employees on these farms, it is likely that they could have been able to lobby quite effectively for protection (Purju 2000). In addition to the weakening of protectionist groups, a number of new lobbies who benefited from free trade policies emerged as well. This included many members of the Estonian Chamber of Commerce and Industry, the Estonian Business Association and key companies integrated into Nordic production networks centred around companies, such as Elcoteq or Ikea (cf. Tähismaa 1996). A telling example of such lobbying is the reaction to the introduction of tariffs against Russian grain in 1993. This met with great resistance by other interest groups, notably macaroni producers, who started lobbying against the tariffs on the grounds that they were hurting their profits (Kukk 1997). Another criticism of the tariffs centred on the fact that the tariffs were not fully effective, as many Russian goods entered the country tariff-free via Latvia (Lainela and Sutela 1994). Later the Rakvere Meat Processing Plant (Rakvere Lihakombinaat), which processes both domestic and imported meat, also publicly opposed

protectionism, as they feared an increase in the cost of imported meat (Kangur 1996). In other words, the reshaping of economic interests affected the demand for protectionism, by empowering actors who were in favour of free trade.

Thirdly, there were also institutional constraints, notably free trade agreements with most of the key trading partners, such as the then EFTA countries (incl. Finland and Sweden) and the other Baltic States. These agreements were signed in the first half of the 1990s. While they guaranteed better access to export markets, they were generally asymmetric in that Estonia did not impose any limitations on imports, whereas the other signatories maintained at least some protection (Reiljan 2000). Once free trade agreements with all the major trading partners were in place, it was difficult to introduce protection which might have had a substantial effect on trade flows. Therefore, these agreements contributed to locking in free trade both domestically and in the other signatories. The most important example was the Association Agreement with the European Union, also known as the Europe Agreement, which was signed in 1995 and which also marked the beginning of Estonia's integration with the EU. Estonia guaranteed tariff-free access for all imports from the EU from the beginning, whereas the EU maintained quotas for some goods, notably textiles. All the other agreements signed with Central and East European countries were asymmetric in favour of accession countries. The EU opened its own market quickly, whereas the other signatories made a commitment to gradual liberalisation (Feldmann and Sally 2002).

The Europe Agreement gave Estonia the right to introduce some tariffs on agricultural imports by 1997. Shortly before this deadline the parliament passed a new tariff law, which would have led to the introduction of tariffs especially on agricultural trade. This occurred largely at the instigation of one of the coalition members (the Estonian Rural Party) and an increasingly active agricultural lobby. The plan to introduce tariffs led to intense conflict and mobilisation by advocates and opponents of protection, which was known as the tariff or

customs war (*tollisõda*). The minority government itself was divided on the matter, as the Prime Minister Mart Siimann and his predecessor Tiit Vähi were said to be sceptical about the introduction of tariffs. Siimann's economic counsellor Ardo Hansson, who had also been a key adviser on economic reform in the early 1990s (and has served as the President of the Estonian Central Bank, Eesti Pank, since 2012), argued against tariffs in the media (Paju 1997). The centre-right opposition, notably the Reform Party, Fatherland and the Moderates, used a number of techniques to stop the new law. This included a very active media campaign and, most importantly, filibustering on 17-19 June 1997, which effectively blocked the second reading of the tariff law. Given the fierce resistance of parts of the opposition, the government ultimately backed down from this proposal. Therefore it was not possible to develop a new tariff law which would come into force before the deadline imposed by the Europe Agreement. Since trade with the rest of the world was limited, tariffs against third countries were seen as largely ineffectual. If there had not been such a clear deadline associated with the Europe Agreement, it would have been very difficult for the opposition to prevent the introduction of tariffs.

In conclusion, the most remarkable feature of the Estonian case is the fact that free trade was sustained throughout the 1990s in the face of considerable protectionist pressure. A number of factors, notably the reshaping of ideas, interests and institutional constraints, contributed to making trade liberalisation durable.

## Conclusion

This article has sought to contribute to the literature on extraordinary politics and post-communist trade policy by examining trade liberalisation in Estonia and Poland. While the

literature on post-communist reform generally treats both Estonia and Poland as rapid reformers, this paper has demonstrated important differences between them with respect to trade policy. Both countries liberalised international trade during the first year of transition, but Poland's reform was largely reversed after about twenty months. By contrast, Estonia maintained what was essentially a free trade regime throughout the 1990s. This suggests the need to unpack cases of big bang reform and to analyse differences between them with respect to different policy areas.

The argument of this paper implies that there is no guarantee that reforms implemented during a period of extraordinary politics will endure. Estonia's trade liberalisation was sustained through the 1990s, whereas Poland increased tariffs again after about twenty months. This shows that changes during periods of extraordinary politics may not necessarily predetermine policies and institutions in the long run. Once the period of extraordinary politics ends, the role of interest groups and institutional constraints can be expected to change. Therefore this analysis suggests the need for a more dynamic perspective on reform which stresses that support for liberalisation has to be actively crafted and that there are a variety of factors that may block or reverse reforms in later periods (cf. Hellman 1998; Fernandez and Rodrik 1991). While numerous factors contributed to the durability of trade reform in Estonia, incl. the size of the economy, this article shows how changes in ideas, interests and institutions prevented the reversal of free trade in the Estonian case despite substantial demand for tariffs. In the absence of such a reconfiguration of interests, institutions and ideas, it is unlikely that free trade would have persisted in Estonia. It should be noted that the differences in the Estonian and Polish trade policy regimes in the 1990s after the period of extraordinary politics have not disappeared after EU accession. Estonia collaborates closely with countries advocating the liberalisation of trade, such as Sweden and



the United Kingdom, whereas Poland has more in common with more protectionist countries, like France (Elsig 2010).

This article has shown both the potential and the limitations of periods of extraordinary politics for policy change. This article has shown that the durability of reform enacted during periods of extraordinary politics cannot be taken for granted, even in canonical cases of radical reform, like Poland. It has also identified some mechanisms by which reforms adopted during such periods may be maintained and some preconditions for their durability. In practice, the reversibility of reform is likely to vary a lot across policy areas. Future research focusing on comparisons across several policy areas may shed light on such differences. For example, undoing ownership reform is likely to be more difficult than increasing tariffs or tax rates. However, as Lust (2016) demonstrates, it may be possible to reverse privatisation under certain circumstances as well. While it is important to study periods of extraordinary politics and reforms introduced at such times, the analysis developed in this article reinforces the argument that political economy should not just focus on the enactment of reforms, but that such research needs to take a dynamic and long-term view of policy-making, in which both change and stability are analysed as political problems (Hall and Thelen 2009). Post-communist economic reforms, where dramatic headline reforms have often been followed by more complex processes of gradual transformation and contestation, may offer an excellent setting for further examination of the interaction of radical and gradual change during and after periods of extraordinary politics.

## References

- Abdelal, R. (2001), *National Purpose in the World Economy: Post-Soviet States in Comparative Perspective*, Ithaca: Cornell University Press.
- Alt, J., J. Frieden, M. J. Gilligan, and D. Rodrik (1996), 'The Political Economy of International Trade: Enduring Puzzles and an Agenda for Inquiry', *Comparative Political Studies*, 29, 6, 689-717.
- Åslund, A. (1991), 'Principles of Privatization', in L. Csaba (ed.), *Systemic Change and Stabilization in Eastern Europe*, Aldershot: Dartmouth.
- Bagwell, K. and R. W. Staiger (2004), *The Economics of the World Trading System*, Cambridge, MA: MIT Press.
- Balcerowicz, L. (1994), 'Understanding Postcommunist Transitions', *Journal of Democracy*, 5, 4, 75-89.
- Balcerowicz, L. (1995), *Socialism, Capitalism, Transformation*, Budapest: Central European University Press.
- Bates, R. H. and A. O. Krueger, eds. (1993), *Political and Economic Interactions in Economic Policy Reform: Evidence from Eight Countries*, Cambridge: Blackwells.
- Boycko, M., A. Shleifer, and R. Vishny (1995), *Privatizing Russia*, Cambridge, MA: MIT Press.
- Dabrowski, M., S., Gomulka, and J. Rostowski (2001), 'Whence Reform? A Critique of the Stiglitz Perspective', *The Journal of Policy Reform*, 4, 4, 291-324.

Darden, K. A. (2009), *Economic Liberalism and Its Rivals: The Formation of International Institutions among the Post-Soviet States*, Cambridge: Cambridge University Press.

Dewatripont, M. and G. Roland (1992), 'The Virtues of Gradualism and Legitimacy in the Transition to a Market Economy', *Economic Journal*, 102, 291-300.

Ekiert, G. and J. Kubik (1998), 'Contentious Politics in New Democracies: East Germany, Hungary, Poland, and Slovakia, 1989-93', *World Politics*, 50, 4, 547-581.

Elsig, M. (2010), 'European Union Trade Policy after Enlargement: Larger Crowds, Shifting Priorities and Informal Decision-Making', *Journal of European Public Policy*, 17, 6, 781-798.

Feldmann, M. (2001), 'The Fast Track from the Soviet Union to the World Economy: External Liberalization in Estonia and Latvia', *Government and Opposition*, 36, 4, 537-558.

Feldmann, M. (2003), 'The Association Agreement between the EU and Poland', in Gary P. Sampson and Stephen Woolcock (eds.), *Regionalism, Multilateralism and Economic Integration: The Recent Experience*, Tokyo: UNU Press

Feldmann, M. (2013), 'From the Ruble Zone to the Euro Zone: The Political Economy of Estonian Macroeconomic Policy', *Post-Soviet Affairs* 29, 4, 354-370.

Feldmann, M. and R. Sally (2002), 'From the Soviet Union to the European Union: Estonian Trade Policy, 1991-2000', *The World Economy*, 25, 1, 79-106.

Fernandez, R. and D. Rodrik (1991), 'Resistance to Reform: Status Quo Bias in the Presence of Individual Specific Uncertainty', *American Economic Review*, 81, 1146-1155.

Fish, M. S. (1998), 'The Determinants of Economic Reform in the Post-Communist World', *East European Politics and Societies*, 12, 1, 31-78.

Frye, T. (2002), 'The Perils of Polarization: Economic Performance in the Postcommunist World', *World Politics*, 54, 3, 308-337.

Frye, T. and E.D. Mansfield (2003), 'Fragmenting Protection: The Political Economy of Trade Policy in the Post-Communist World', *British Journal of Political Science*, 33, 4, 635-657.

Frye, T. and E.D. Mansfield (2004), 'Timing is Everything: Elections and Trade Liberalization in the Post-Communist World', *Comparative Political Studies*, 37, 4, 371-398.

Hagemejer, J. and J. J. Michałek (2008), 'The Political Economy of Poland's Trade Policy: Empirical Verification of the Grossman-Helpman Model', *Eastern European Economics*, 46, 5, 27-46.

Hall, P. A. (2010), 'Historical Institutionalism in Rationalist and Sociological Perspective', in J. Mahoney and K.A. Thelen, eds., *Explaining Institutional Change: Ambiguity, Agency and Power*, Cambridge: Cambridge University Press.

Hall, P.A. and K. Thelen (2009), 'Institutional Change in Varieties of Capitalism', *Socioeconomic Review*, 7, 1, 7-34.

Hansson, A. (1994), 'The Political Economy of Macroeconomic and Foreign Trade Policy in Estonia', in C. Michalopoulos and D. Tarr, eds., *Trade in the Newly Independent States*, Washington, DC: World Bank.

Hellman, J. S. (1998), 'Winners Take All: The Politics of Partial Reform in Postcommunist Transitions', *World Politics*, 50, 2, 203-234.

IMF (1999), *Republic of Poland – Selected Issues, IMF Country Reports*, 99/32, 5 May, Washington, D.C.: International Monetary Fund.

IMF (2000), *World Economic Outlook: Focus on Transition Economies*, Washington, D.C.: International Monetary Fund.

Kangur, P. (1996), 'Kaitsetolle oleks vaja, aga AJU ei ole', *Eesti Ekspress*,

Kawecka-Wyrzykowska, E. (2000), 'Tariff Policy and Charges on Imports in 1999-2000 in the Context of Poland's Preparations for the Accession to the European Union', in Foreign Trade Research Institute, *Poland's Foreign Trade and Economic Policy*, Warsaw: Foreign Trade Research Institute.

Kornai, J. (1994), 'Transformational Recession: The Main Causes', *Journal of Comparative Economics*, 19, 1, 39-63.

Kornai, J. (2001), 'Ten Years After "The Road to a Free Economy": The Author's Self-Evaluation', in B. Pleskovic and N. Stern, eds., *Annual World Bank Conference on Development Economics 2000*, Washington, DC: World Bank.

Kramer, M. (1995), 'Polish Workers and the Post-Communist Transition, 1989-1993', *Communist and Post-Communist Studies*, 28, 1, 71-114.

Krugman P. (1987), 'Is Free Trade Passé?', *The Journal of Economic Perspectives*, 1, 2, 131-144.

Kukk, K. (1997), 'The Baltic States: Estonia, Latvia and Lithuania', in P. Desai, ed., *Going Global: Transition in the World Economy*, Cambridge, MA: MIT Press.

Kurski, J. (2009), 'Król żelatyny', *Gazeta Wyborcza*, 7 May

Laar, M. (2006), 'Remarks of Mart Laar on Receiving the Milton Friedman Prize', *Cato Policy Report*, 28, 4, 4-7.

Laar, M. (2007), 'The Estonian Economic Miracle', Backgrounder #2060, Washington, DC: The Heritage Foundation, available at: <http://www.heritage.org/research/reports/2007/08/the-estonian-economic-miracle>

Lainela, S. and P. Sutela, P (1994), *The Baltic Economies in Transition*, Helsinki: Bank of Finland.

Levitsky, S. and L. A. Way (1998), 'Between a Shock and a Hard Place: The Dynamics of Labor-backed Adjustment in Poland and Argentina', *Comparative Politics*, 30, 2, 171-192.

Lipton, D. and J.D. Sachs (1990), 'Creating a Market Economy in Eastern Europe: The Case of Poland', *Brookings Papers on Economic Activity*, 1990, 1, 75-133.

Lushin, A. and P. Oppenheimer (2001), 'External Trade and Payments', in B. Granville and P. Oppenheimer, eds., *Russia's Post-Communist Economy*, Oxford: Oxford University Press.

Lust, A. (2016), 'Broken Rails: The Privatisation of Estonian Railways', *Post-Communist Economies*, Published on-line 8 November 2016, DOI: <http://dx.doi.org/10.1080/14631377.2016.1237041>

Mahoney, J. (2000), "Path Dependence in Historical Sociology", *Theory and Society*, 29(4) 507-548.

Mahoney, J. (2001), "Path-Dependent Explanations of Regime Change: Central America in Comparative Perspective", *Studies in Comparative International Development*, 36(1), 111-141.

Mahoney, J. and K.A. Thelen (2010), *Explaining Institutional Change: Ambiguity, Agency and Power*, Cambridge: Cambridge University Press.

Markiewicz, W. (2006), 'Grabek Kazimierz. Król żelatyny', *Polityka*, July 7

Messerlin, P. (1995), 'Central and Eastern European Countries' Trade Laws in the Light of International Experience', in L.A. Winters, ed., *Foundations For An Open Economy*, London: CEPR.

Michalopoulos, C. (1999), 'The Integration of Transition Economies into the World Trading System', World Bank Policy Research Working Paper 2182, available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=629176](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=629176).

Michałek, J.J. (1993), 'The Opening Up of the Polish Economy', in H. Kierzkowski, M. Okólski, and S. Wellisz, eds., *Stabilization and Structural Adjustment in Poland*, New York, NY: Routledge.

Michałek, J.J. (2000), 'The Europe Agreement and the Evolution of Polish Trade Policy', *Yearbook of Polish European Studies*, 4, 99-124.

Murrell, P.(1992), 'Evolution in Economics and in the Economic Reform of the Centrally Planned Economies', in C. Clague and G. Raisser (eds), *The Emergence of Market Economies in Eastern Europe*, Cambridge: Blackwell.

Myant, M. (1993), *Transforming Socialist Economies. The Case of Poland and Czechoslovakia*, Aldershot: Edward Elgar.

O'Halloran, S. (1994), *Politics, Process, and American Trade Policy*, Ann Arbor, MI: University of Michigan Press.

Olson, M. (1965), *The Logic of Collective Action: Public Goods and the Theory of Groups*, New York, NY, Schocken Books.

Õun, P. (2001), *Tollilugu*, Tallinn: Eesti Tolliamet.

Paju, T. (1997), 'Tollitariifide seadus on põhiseadusega vastuolus', *Postimees*, 2 December.

Paszkowski, H. (1991), 'W zdrowym ciele zdrowy rak', *Magazyn Dziennik Dolnośląski*, Nr. 142, 21 June.

Perkins, D. H. and M. Syrquin (1989), 'Large Countries: The Influence of Size', *Handbook of Development Economics*, Vol. 2, 1691-1753.

Pierson, P. (2000), "Increasing Returns, Path Dependence, and the Study of Politics", *The American Political Science Review*, 94(2), 251-267.

Pierson, P. (2004), *Politics in Time: History, Institutions, and Social Analysis*, Princeton, NJ: Princeton University Press.

Przeworski, A. (1991), *Democracy and the Market. Political and Economic Reforms in Eastern Europe and Latin America*, Cambridge: Cambridge University Press.

Przeworski, A. (1992), 'The Neoliberal Fallacy', *Journal of Democracy*, 3, 3, 45-59.

Purju, A. (1996), 'Foreign Trade of Estonia: Factors Supporting Integration', Working Paper 113, Stockholm: Stockholm Institute of East European Economies.

Purju, A. (2000), *Trade Liberalisation in Estonia*, Tallinn: Tallinn Technical University.

Riigikogu (1996), *Otsuse "Abinõud kriisi ületamiseks põllumajanduses" eelnõu (154 OE) arutelu*, Tallinn: Riigikogu Stenogrammid.



Rodrik, D. (1995), 'Political Economy of Trade Policy', in G.M. Grossman and K.S. Rogoff, eds., *Handbook of International Economics*, Vol. 3, Amsterdam: Elsevier.

Rodrik, D. (1996), 'Understanding Economic Policy Reform', *Journal of Economic Literature*, 34, 1, 9-41.

Sachs, J. (1993), *Poland's Jump to the Market Economy*, Cambridge, MA: MIT Press.

Simons, T. V., Jr. (1999), 'Poland's Old-New Political Elites', University of California, Berkeley: *Center for Slavic and East European Studies Newsletter*, 16, 3, 12-15.

Streeck, W. and K. Thelen, eds. (2005), *Beyond Continuity: Institutional Change in Advanced Political Economies*, Oxford: Oxford University Press.

Wellisz, S. (1995), 'Poland', in. P. Desai, ed., *Going Global: Transition in the World Economy*, Cambridge, MA: MIT Press.

Williamson, J. (ed.) (1994), *The Political Economy of Policy Reform*, Washington DC: Institute of International Economics.

World Bank (2002), *Transition: The First Ten Years. Analysis and Lessons for Eastern Europe and the Former Soviet Union*, Washington, DC: World Bank

WTO (1999), *Report of the Working Party on the Accession of Estonia to the World Trade Organization: WT/ACC/EST/28*, Geneva: World Trade Organization, available at <http://www.wto.org/wto/ddf/ep/public.html>.

Żakowski, J. (2009), 'Mnie się ta Polska podoba', *Polityka*, February 13.

**Table 1: Poland: Evolution of Customs Tariff Structure, 1989-1997, percentage rates**

Harmonised Commodity Description and Coding System	January 1989	August 1990 to August 1991	August 1991	December 1993	June 1995	December 1996	January 1997
All commodities	18.3	5.5	18.4	19.0	9.4	8.0	6.3
Agriculture products	17.2	4.0	26.2	26.2	19.5	18.3	17.3
Industrial products	18.7	---	16.3	17.0	8.0	6.8	5.1
Mineral products	7.8	3.4	8.9	8.9	2.3	3.1	2.1
Chemical products	13.5	3.9	14.1	13.7	6.8	6.6	3.4
Plastics	19.9	5.5	15.0	14.9	9.5	9.1	3.9
Fur and leather products	17.2	5.1	25.7	23.5	10.3	6.6	7.9
Wood and paper products	18.7	7.4	13.4	13.4	5.3	4.6	3.6
Textiles, footwear, clothing	22.2	9.7	20.6	21.4	12.4	8.2	6.9
Industrial mineral and metal products	15.4	4.2	14.7	17.6	10.1	8.9	6.7
Machinery, transport equipment, precision instruments	21.9	3.9	16.1	16.6	16.3	12.7	9.1
Jewellery, arms, art objects, miscellaneous manufactured products	19.9	11.6	19.1	17.0	13.2	9.8	6.9

Source: IMF (1998)

**Table 2: Trade liberalisation in East Central Europe**

	Average weighted tariffs, in %, 1999	Trade to GDP ratio, 1999
Estonia	0	186.0
Bulgaria	15.1	87.7
Czech Republic	6.8	128.6
Hungary	13.3	137.6
Latvia	5.3	120.6
Lithuania	4.5	89.9
Poland	11.6	48.9
Romania	23.8	62.1
Slovakia	12	134.5
Slovenia	10.6	112.6
EU	5	74.5  (simple average)

*Source:* IMF (2000)